Written evidence submitted by the UK Women's Budget Group

Introduction

1. The UK Women's Budget Group (WBG) is an independent network of leading academic researchers and policy experts that analyse the gendered impact of economic policy on different groups of women and men and promotes alternative policies for a gender equal economy.

2. Our work recognises the role that paid and unpaid care plays as vital social infrastructure. We produce regular pre-Budget briefings on gender and early education and childcare and have previously modelled the cost and fiscal and employment returns of investing in a free universal childcare system. We welcome the opportunity to submit evidence to the Education Select Committee's inquiry 'support for childcare and the early years'.

Summary

Early education and childcare is not working for children

3. **The absence of flexible, affordable early education and childcare is a huge barrier to tackling inequality.** Around two-fifths of the total attainment gap between sixteen-year-olds from the most deprived fifth of families and the least deprived fifth of families is already present at age five. Children from poorer backgrounds are a third less likely to take up free places in pre-school education. COVID has had a significant impact on this with recent research by the Sutton Trust finding that 'over half (54%) of primary school leaders surveyed said fewer pupils we 'school ready' when they started reception this year [2021] than they would usually expect. At schools with the most deprived intakes this was 67%'.

4. **The SEND code of practice and the childcare sufficiency requirements for children with SEND are not being met,** due to the reduction in available places for disabled children reported by local authorities in the most recent report by Coram. The Department for Education has not yet published its response to the consultation on its SEND and AP green paper.

5. **There has been a rapid privatisation of early education and childcare in England** with 84% now delivered by for-profit providers, compared to 3% in Germany or 4% in France. Market dynamics result in for-profit providers drifting away from less profitable areas, so that very young children in poorer neighbourhoods and children with special educational needs and disabilities are sometimes left without any provision at all. The private-for-profit childcare company sector is characterised by features of finacialisation - acquisitions and mergers and debt – seen in the adult social care sector, which can

impact on the quality and stability of provision. The two largest providers are reported to accumulated more than £1 billion of debts.

6. **The existing adult to child ratios support quality provision.** Increasing the number of children that each adult is responsible for would decrease their ability to create child-centred, personalised interventions that support every child's development and identify opportunities for early intervention and support. Moreover, it would be irresponsible to implement a policy that will increase the pressure on a workforce that is already in crisis.

Early education and childcare is not working for parents

7. **Government funding for the free entitlements does not cover costs.** In 2019-20, there was an estimated £662 million deficit in funding for early education and childcare. Department for Education (DfE) files released in response to freedom of information requests submitted by the Early Years Alliance (EYA) show that DfE officials estimated a funded early years place for three- and four-year-olds would cost an average of £7.49 per hour by 2020/21. Ceeda research for the EYA found that in 2020/21 the average rate paid to local authorities for 'funded hours' is £4.89. This represents a shortfall of £2.60 per child, per hour for every 30-hours place or £2,964 over the course of a year. Providers in poorer areas are less able to cross-subsidise the 'free' hours with fees.

8. **Early education and childcare is unaffordable**. One third (33%) of parents using early education and childcare say their payments are bigger than their rent or mortgage. This rises to 47% of those with a Black ethnic background, 42% of those receiving Universal Credit, 40% of the under-30s, 38% of single parents, and 38% of those who work full time. Our analysis in 2020 found that a nursery place for children under two-years, costs between 45% and 60% of women's average salaries in England, and between a fifth and a quarter for three- and four-year-olds with the free hours entitlement. Current costs are high and fees have been growing considerably faster than pay increases - Between 2010 and 2021, the sticker price for a part-time (25 hours per week) nursery place for a child under two rose by 59%. This is around twice as quickly as overall inflation.

9. **The current system of Government support is complex and leaves gaps.** Meaningful Government support is not available until a child is either two or three and depends on household income. This means many children miss out on high quality experiences during the vital first 1001 days that Government has acknowledged in it's 'Best Start for Life' commitments. Many mothers find themselves forced in to taking extended career breaks, exacerbating the gender pay gap and contributing to shortages in the labour market.

10. **Support for parents on low income is not working.** Support for parents in receipt of Universal Credit is paid in arrears at 85% of the cost, which means they have to source a deposit and the first month of fees themselves and wait to receive some part of that back in their next payment. Recent Government data shows relatively low take up of this support - in households with children aged 2 only 37% of earning single parent

households receive the childcare element, and for dual earning couples this was only 32%.

Early education and childcare is not working for early years professionals

11. **Working conditions in the sector are poor, compromising the quality of provision**. The early education and childcare workforce (which is 98% female) is among the lowest paid in the labour market. Research conducted before the cost of living crisis found that one in eight workers in early education and childcare earns below £5 per hour with 45% relying on state benefits to supplement their income. Only 17% receive training and 37% leave their role within two years. A low paid workforce also impacts on social security spending requiring low salaries to be topped up by working tax credits and other in-work benefits.

Early education and childcare is not working for the economy

12. **Over 1,000 children's centres closed between 2009 and 2017.** Spending on children's centres by local authorities fell by a third (33%) from £835 million in 2014/15 to £560 million in 2017/18. The impact on Sure Start centres (and other and local authority-provided services) has been, and will continue to be, severe across England. Research has shown that Sure Start centres had direct benefits to children and parents (especially mothers) and also positive long-term impacts, such as reduced hospitalisations for children which also generate savings for the health system.

13. **Local Authorities have extremely limited ability to influence their local early education and childcare 'market'**, despite being responsible for doing so. They do not have any ability to control where providers set up, the number of 'funded hours' places that they provide or the fees that they charge.

14. **The combination of lack of availability and high childcare costs can block parents' access to employment.** More than half (52%) of non-working mothers in England would prefer to be in paid work if they could arrange the right childcare. An estimated 1.7 million women are prevented from taking on more hours of paid work due to childcare issues, resulting in up to £28.2 bn economic output lost every year.

15. **The current system of demand-side funding through funded hours and the tax and benefit support is not working for anyone.** The poorest families are not eligible for the 30 free hours and those receiving Universal Credit are only able to claim back up to 85% of their early education and childcare fees and these are paid in arrears. In addition, the cap on the childcare element of Universal Credit has not been updated since 2016 while fees have been increasing above inflation since before 2022. At the same time, parents are not claiming tax free childcare, with £1.715 bn in underspend 2017-20. The tax free childcare funding is not ring-fenced and 'since it's launch in 2017, the Government has passed £2.4 bn of unspent money back to the Treasury'.

Recommendations

Short term

16. **The Government should map gaps in provision resulting from market dynamics and work to fill those gaps**. This would include getting a better understanding of how funding falls are affecting provision, including Sure Start, and increase the provision to children that are most in need, and assessing how different types of providers are enabling access for all families, especially those who are most deprived or have children with special educational needs or disabilities (SEND).

17. **The Government should significantly increase the pupil premium to target disadvantage more effectively.** This way local authorities would be able to support providers to cover the real cost of providing high-quality childcare in their area, including children with additional needs.

18. **Ofsted should assess the financial viability and stability of providers of early education and childcare,** in the same way that the Care Quality Commission now does for adult social care providers.

19. **The Government should launch an independent review of the early education and childcare sector, including the development of a national workforce strategy**. Early education and childcare professionals should see national pay scales established and minimum pay set at the Real Living Wage. Training should be provided to improve qualifications and career progression. Moreover, training and development opportunities should be a condition of receiving public funding.

20. **Funding for the 'free hours' hourly rate should reflect the true cost of provision**. Whilst this is needed to rescue the system there is also scope to use this intervention to move towards the wider reforms needed. This public investment should include conditions on providers, such as paying all staff the Real Living Wage as minimum; and providing a percentage of places for children with SEND and 2-year-olds that qualify for the funded hours entitlement.

Medium term

21. **Early education and childcare policy must move to a supply-side funding model**, with the investment of public funds linked to conditions such as a better rewarded workforce and increased targeted support for the most disadvantaged children, who benefit the most from high-quality early education and childcare.

22. **The Government should produce national standards** along the lines of a 'chart for early education and childcare' co-produced by early years professionals, parents and children that is capable of ensuring quality, accountability and sustainability, and coordinate provision on the basis of a new funding model and regulatory framework. This charter will drive early education and childcare to deliver on the following core elements:

a. Provision that works for all kinds of working parents and their employers
b. Accessible and affordable options for all parents, in all communities
c. Good pay, terms and conditions for the professionals who deliver it
d. High quality provision for all children, especially those who benefit the most
e. Locally shaped options that respond to local circumstances

23. **Local Government need to be able to play a much greater role** in shaping local early education and childcare options including matching local provision to local need, taking on responsibility for where providers set up, which children and families are able to access places and what levels of fees are appropriate locally. Government should remove the guidance in the 2006 Childcare Bill that restricts the role of local authorities in providing childcare.

Longer term

24. **The Government must invest in a universal and free system, delivered as a public infrastructure service on equal footing with school education.** Our modelling of the employment and fiscal impacts of such a system shows that while the upfront investment is significant, almost all of it is recouped through higher tax revenue due to the returns on increased maternal employment and reduced spending on means-tested benefits.

Main body

Affordability and complexity

25. There is not enough early years and childcare provision in England, and what is available is expensive, inflexible, and sometimes lacking in quality. This is particularly true in deprived areas where high quality early education and childcare can be most beneficial. Furthermore, underfunding for Government 'free hour' schemes is leading to widespread closures of settings and poor pay and conditions for workers. Early years and childcare in England, in its current state, does not serve the child, the parent, the worker or the wider economy.

26. High costs are a significant concern for families facing the cost of living crisis, with 52% concerned about paying for childcare[1]. The TUC found that for parents with a one-year-old child, the cost of their child's nursery provision has grown four-times faster than their wages, and more than seven-times faster in London (2008-2016)[2]. In March 2022 one in three (32%) working parents with pre-school children spent more than one-third of their wages on childcare and one in seven (15%) said they spent more than half their

[1] https://www.nesta.org.uk/press-release/cost-of-living-crisis-pushing-worried-parents-to-the-edge-with-2-in-3-concerned-about-paying-for-essentials/
[2] TUC (2017) Press release: Cost of childcare has risen four times faster than wages since 2008, says TUC (http://bit.ly/2ioIyrS)

pay on childcare[3]. High costs mean that families where both parents are paid at the National Living Wage end up in deficit[4].

27. One third (33%) of parents using early education and childcare say their payments are bigger than their rent or mortgage. This rises to 47% of those with a Black ethnic background, 42% of those receiving Universal Credit, 40% of the under-30s, 38% of single parents, and 38% of those who work full time[5]. Peabody Housing Association identified that 67% of its residents found it 'difficult or impossible' to find affordable childcare[6]. IPPR's 'No Longer Managing' report (May 2021) highlights that the poverty rate for working families has hit a record high and lists the lack of flexible and affordable childcare as one of the four factors behind the growth in poverty[7].

28. Current costs are high and fees have been growing considerably faster than pay increases - Between 2010 and 2021, the sticker price for a part-time (25 hours per week) nursery place for a child under two rose by 59%. This is around twice as quickly as overall inflation[8]. Our analysis in 2020 found that a nursery place for children under two-years, costs between 45% and 60% of women's average salaries in England, and between a fifth and a quarter for three- and four-year-olds with the free hours entitlement[9].

29. In addition, the current system of Government support is layered and, at times, complex. It has developed through a series of policy positions by successive Governments, with support generally focused on bridging educational inequality, and more recently, on prioritising 'working families'. This means it is not only difficult for parents to navigate, but also leaves severe gaps in provision for children and parents:

- **Between birth and the age of two.** Statutory maternity leave is 52 weeks, but statutory maternity pay lasts for only 39 weeks. During this period early education and childcare support for parents who are returning to work is either £500 every three months through the tax-free scheme or support through universal credit (if eligible). This is because meaningful support does not kick in until a child is either two or three and depends on household income. This results in many children not being able to access high quality opportunities during their first 1001 days, acknowledged by the Government as critical[10], and mothers taking extended career

[3] https://uk.finance.yahoo.com/news/cost-of-living-universal-free-childcare-nursery-fees-soar-230149508.html
[4] Child Poverty Action Group (2019) The cost of a child in 2019 (http://bit.ly/2WrdCal)
[5] Mumsnet Mega Survey (2021) https://www.mumsnet.com/news/mega-survey-of-uk-parents-shows-that-childcare-is-failing-families
[6] https://www.peabody.org.uk/media/14125/pbs_20_001_index_digital-1.pdf
[7] https://www.ippr.org/news-and-media/press-releases/revealed-working-family-poverty-hits-record-high-fuelled-by-rising-housing-costs-and-childcare-challenges
[8] https://www.economicsobservatory.com/rising-costs-of-childcare-which-families-are-struggling-most
[9] WBG (Jul 2020) Crisis of care for women in England as lock down lifts (https://bit.ly/3jDWJ7p)
[10] https://assets.publishing.service.gov.uk/Government/uploads/system/uploads/attachment_data/file/973112/The_best_start_for_life_a_vision_for_the_1_001_critical_days.pdf

breaks which exacerbates the gender pay gap and contributes to shortages in the labour market[11].

- **An estimated £2.3bn of tax-free childcare went unclaimed between 2017 and 2021.** This is in part because of the complicated way in which these support schemes are accessed, but also because funding is available for families who financially do not need Government help. A two-parent family with a joint household income of up to £200,000 would be eligible for this help but is unlikely to consider themselves in need of Government support so do not claim it, whilst families on very low incomes are not eligible to access it.

- **Parents on universal credit receive no upfront support with childcare costs.** This means they must source a deposit and the first month of fees themselves and wait to receive some part of that back in their next universal credit payment. This is an outlay that many low-income households cannot afford and so this mechanism acts as a barrier to employment and opportunities for these families. Additionally, the childcare element of the UC payment has been frozen since 2016 and not kept pace with rising fees.

- **The benefits of early education and care are disproportionately accessed by those that can afford to pay.** This exacerbates existing inequalities and entrenches issues that are more expensive to address at a later stage, such as educational inequalities and gender pay gaps.

- **The hourly rate for Government funded hours is less than it costs to provide the care.** As a result, early education and childcare providers increase the hourly rate they charge parents in order to make up the shortfall, with prices particularly high for children aged under the age of two.

- **It's estimated that the early education and childcare sector was underfunded by an estimated £662 million in 2019/2020**. The free-entitlement for under-twos was underfunded by 37% and by 20% for three- and four-year-olds.[12]

30. There has been a rapid privatisation of early education and childcare in England with 84% now delivered by for-profit providers, compared to 3% in Germany or 4% in France.[13] In 2016, the OECD highlighted that a market-based approach to early eduction and childcare leaves public authorities with less control over fees and less control over when and where services are provided. It identified that market dynamics can result in for-profit providers drifting away from less profitable areas, so that very young children in poorer neighbourhoods are sometimes left without any. The private-for-profit childcare company sector is characterised by features of finacialisation - acquisitions and mergers and debt – seen in sectors like adult social care, which can impact on the quality

11 https://parentinfantfoundation.org.uk/wp-content/uploads/2021/06/1.pdf

12 Ibid

13 Barrett-Evans, Dominic and Birlean, Diana (2018) *Childcare UK Market Report; Fifteenth Edition*, London: Laing and Buisson

and stability of provision. The two largest early education and childcare providers are reported to have accumulated more than £1 billion of debts[14].

31. The Government should map gaps in provision resulting from market dynamics and work to fill those gaps. This would include getting a better understanding of how funding falls are affecting provision, including Sure Start, and increase the provision to children that are most in need.

32. The Government should also work to reduce inequality in the early education and childcare system by significantly increasing the pupil premium, so that it effectively targets disadvantage.[15] This way local authorities would be able to support providers to cover the real cost of providing high-quality childcare in their area, including supporting children with additional needs and/ or disabilities.

Availability and barriers to work

33. Department for Education (DfE) files released in response to freedom of information requests submitted by the Early Years Alliance (EYA) show that DfE officials estimated 'a Government-funded early years place for three- and four-year-olds would cost an average of £7.49 per hour by 2020/21'. They also show that ministers understood that funding less than the full cost of care 'would result in higher prices for parents of younger children as providers would be forced to cross-subsidise those on the 30-hours scheme'[16]. Ceeda research for the EYA found that in 2020/21 the average rate paid to local authorities for 'funded hours' was £4.89[17]. This represents a shortfall of £2.60 per child, per hour for every 30-hours place or £2,964 over the course of a year. In 2019-20, there was an estimated £662 million deficit in funding for childcare[18]. This is a significant shortfall for providers to have to 'cross-subsidise' from parent fees.

34. Providers in poorer areas are less able to cross-subsidise the 'free' hours with fees. 17% of providers in England's poorest areas were facing closure before Covid-19 hit[19]. More recently we have seen reports of a 22% drop in the number of childcare settings, the largest decline since 2015, with a 'disproportionate loss of places in the most deprived parts of the country'[20]. Whilst at the same time the figures show 'there is more childcare in better-off areas'[21].

35. The combination of lack of availability and high costs for early education and childcare can block parents' access to employment, with more than half (52%) of non-working mothers in England preferring to be in paid work if they could arrange the right

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[14] https://www.thetimes.co.uk/article/the-1bn-debt-pile-behind-childrens-nursery-giants-busy-bees-and-bright-horizons-bg2g6qchw
[15] As recommended by the Social Mobility Commission (2017) Time For Change: An Assessment of Government Policies on Social Mobility 1997-2017 (http://bit.ly/2shbXs1)
[16] https://www.eyalliance.org.uk/news/2021/06/new-data-shows-ministers-knew-early-years-was-underfunded
[17] https://www.eyalliance.org.uk/news/2021/06/new-data-shows-ministers-knew-early-years-was-underfunded
[18] https://wbg.org.uk/analysis/uk-policy-briefings/spring-budget-2022-childcare-and-gender/
19 https://wbg.org.uk/analysis/uk-policy-briefings/childcare-gender-and-covid-19/
[20] https://www.nurseryworld.co.uk/news/article/fall-of-more-than-4-000-childcare-providers-in-a-year
[21] https://www.nurseryworld.co.uk/news/article/fall-of-more-than-4-000-childcare-providers-in-a-year

childcare[22]. An estimated 1.7 million women are prevented from taking on more hours of paid work due to early education and childcare issues, resulting in up to £28.2bn economic output lost every year. 94% of parents who changed their working patterns after having children say childcare costs were a factor in that decision, and 73% said they had had difficulty finding appropriate childcare that met their needs (including 80% of single parents and 80% of those with a BAME background)[23].

Benefits and Tax Credits

36. The labyrinthine system of early years and childcare subsidies is confusing, difficult for parents and providers to administer, and fails to achieve either of the Department for Education's key objectives to "provide the best start in life through high-quality early education and childcare to raise standards and help parents to work"[24].

37. The poorest families are not eligible for the 30 free hours. Only parents earning at least as much as a minimum wage worker would earn for a 16-hour week can participate in the scheme. Parents receiving Universal Credit are only able to claim back up to 85% of their childcare fees and these are paid in arrears, increasing the risk that families will go into debt to pay for early education and childcare. Recent Government data shows relatively low take up of this support - in households with children aged 2 only 37% of earning single parent households receive the childcare element, and for dual earning couples this was only 32%[25].

38. Despite the name, tax free childcare is independent of the tax system scheme replacing the similar but much less widely available employer-based childcare vouchers. In 2020 the Treasury released figures that showed in 2017-20 the Government forecast expenditure for tax free childcare was £2.1bn for the three years, but actual expenditure was £385m, leaving £1.715 bn in underspend.[26] The tax free childcare funding is not ring-fenced and 'since it's launch in 2017, the Government has passed £2.4 bn of unspent money back to the Treasury'[27].

39. Instead of trickling money into the demand side (parents), the state should direct funding into the supply side, attaching conditionality to funding and investing in providers who meet established standards of excellence and equality. This approach enables local and national Government to play a stronger role in driving up standards and ensuring equitable provision. It also creates greater transparency around the real costs of provision and makes it possible to introduce fee caps if appropriate.

Workforce

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[22] Department for Education (2018) Childcare and Early Years Survey of Parents in England, 2018 (http://bit.ly/331ebKm) p. 15

[23] Mumsnet Mega Survey (2021) https://www.mumsnet.com/news/mega-survey-of-uk-parents-shows-that-childcare-is-failing-families

[24] https://www.gov.uk/Government/organisations/department-for-education/about#our-priorities

[25] https://www.gov.uk/Government/statistics/universal-credit-claimants-eligible-for-and-receiving-the-childcare-element-march-2021-to-february-2022/universal-credit-claimants-eligible-for-and-receiving-the-childcare-element-between-march-2021-to-february-2022

[26] Nursery World (2020) Government reveals £1.7bn underspend on tax-free childcare (https://bit.ly/35l7b1l)

[27] https://ndna.org.uk/news/tax-free-childcare-parents-only-using-half-of-accounts/

40. The early education and childcare workforce is 98% female and among the lowest paid in the labour market[28]. Research for the Department for Education published in 2020 found that 70% of childminders have earnings at or below the national living wage. One in eight early education and childcare workers earns below £5 per hour with 45% relying on state benefits to supplement their income[29]. Lack of sufficient funding affects professional development too; only 17% of workers receive training[30]. This in turn impacts turnover with 37% of early education and childcare workers leaving their role within two years[31]. High turnover and lack of training can also impact the quality of early years education and a child's development. Nuffield research found that staff costs could be as much as 14 per cent lower [in large for profit providers] than the not-for-profit company sector[32].

41. The informal early education and childcare workforce - encompassing in-home workers such as nannies, au pairs, and domestic workers - was particularly hard hit by the pandemic. This sector has always been relatively unregulated and for this reason it attracts migrant women who need to work "under-the-radar" as well as working-class women who cannot afford expensive training and qualifications. In the case of au-pairs and nannies whose jobs are accompanied by live-in accommodation, the first lockdown led to significant numbers losing their home/accommodation as well as a job.[33]

42. A low paid workforce impacts on the national economy requiring low salaries to be topped up by working tax credits and other in-work benefits.

43. Early education and childcare quality is intricately linked to the working conditions in the sector. A national workforce strategy is needed as part of a wider independent review of the early years sector. Childcare professionals should see national pay scales established and minimum pay set at the Real Living Wage. Training should be provided to improve qualifications and career progression. Moreover, training and development opportunities should be a condition of receiving public funding.

Support for children from disadvantaged backgrounds and children with SEND

44. Research from the Sutton Trust has shown that the lack of formal early education and childcare provision has had "the biggest impact on the poorest children" with potentially lasting impacts on the attainment gap[34]. The absence of flexible, affordable early education and childcare is a huge barrier to tackling inequality: around two-fifths of the total attainment gap between sixteen-year-olds from the most deprived fifth of families and the least deprived fifth of families is already present at age five[35]. The attainment gap has increased due to COVID[36]. Children from poorer backgrounds are a third less

[28] https://wbg.org.uk/analysis/uk-policy-briefings/childcare-gender-and-covid-19/
[29] https://www.gov.uk/Government/news/stability-of-the-early-years-workforce-in-england-report
[30] https://www.gov.uk/Government/news/stability-of-the-early-years-workforce-in-england-report
[31] https://www.gov.uk/Government/news/stability-of-the-early-years-workforce-in-england-report
[32] https://www.nuffieldfoundation.org/wp-content/uploads/2022/01/The-new-language-of-childcare-Main-report.pdf
33 https://nannysolidaritynetwork.co.uk/welfare/
[34] https://www.suttontrust.com/wp-content/uploads/2020/04/COVID-19-and-Social-Mobility-1.pdf
[35] Hutchinson, J. and Dunford, J. (2016) Divergent pathways: the disadvantage gap, accountability and the pupil premium. Education policy institute
[36] https://educationendowmentfoundation.org.uk/news/new-research-on-the-impact-of-covid-19-on-the-disadvantage-gap-in-primary-schools

likely to take up free places in pre-school education. This disparity of access is getting worse with the Government's 30 free hours policy, for a number of reasons[37].

45. Firstly, as set out above the poorest families are not eligible for the 30 free hours. Secondly, poorer families who are eligible for the 30 free hours face barriers to participation. One barrier is additional cost: nearly half of parents on 30 free hours have been asked to pay additional fees for things like lunches, nappies and outings[38]. Another is location: whereas state provision of early education and childcare, like Sure Start, is more likely to be based on need and target poorer areas, provision through the private market results in the clustering of good nurseries in wealthier areas where income from fees is more reliable. Poorer parents are less likely to have access to cars, fares for public transport or the time to travel further to childcare facilities.

46. In addition, the closure of early education and childcare settings during national lockdowns (to all but key workers) exacerbated existing issues, interrupting the early years development of children. Recent research by the Sutton Trust finding that 'over half (54%) of primary school leaders surveyed said fewer pupils we 'school ready' when they started reception this year [2021] than they would usually expect. At schools with the most deprived intakes this was 67%'[39].

47. Coram's most recent annual family and childcare survey found a reduction in the proportion of local authorities with enough early education and childcare for disabled children, meaning there are now insufficient places – breaching the SEND code of practice[40].

48. Whilst there is a strong moral issue with not tackling early years inequalities there are also economic consequences. Any widening in early years educational inequalities risks becoming far more costly for society and the economy to tackle in later years[41].

Reduction of Sure Start Centres

49. Local authorities have had large reductions in funding for early years. Spending fell by a third (33%) on children's centres, from £835 million in 2014/15 to £560 million in 2017/18.[42] The impact on Sure Start centres (and other and other local authority-provided services) has been, and will continue to be, severe across England. Over 1,000 children's centres closed between 2009 and 2017.[43] Research has shown that Sure Start centres had direct benefits to children and parents (especially mothers) and also positive long-term impacts, such as reduced hospitalisations for children[44] which also generate savings for the health system[45].

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[37] Lloyd, E. (2018) Submission of Written Evidence to the Treasury Committee's Childcare Enquiry. Retrieved from: http://data.parliament.uk/WrittenEvidence/CommitteeEvidence.svc/EvidenceDocument/Treasury/Childcar e/written/78141.html
[38] https://www.eyalliance.org.uk/parents-pay-price-30-hour-offer-childcare-providers-are-forced-limit- fully-free'-places-new-survey
[39] https://www.suttontrust.com/wp-content/uploads/2021/08/A-Fair-Start-Summary-Report.pdf
40 https://www.coram.org.uk/resource/coram-family-and-childcare-survey-2022
[41] https://www.eif.org.uk/why-it-matters/why-is-it-good-for-society-and-the-economy
[42] Action for Children (2019) Closed Doors: Children's centre usage between 2014/15 and 2017/18 (https://bit.ly/3ikjhZz)
[43] The Sutton Trust (2018) Stop Start: Survival, decline or closure? Children's centres in England, 2018 (http://bit.ly/34dMFK0)
[44] https://assets.publishing.service.gov.uk/Government/uploads/system/uploads/attachment_data/file/182026/DFE-RR067.pdf
[45]https://www.nuffieldfoundation.org/news/sure-start-centres-reduced-hospitalisations

50. The 2021 Autumn Budget made some additional investments in early years but not enough to match the scale of the cuts imposed after 2010. The more recent Autumn Budget 2022 did not include any additional funding for early education and childcare. Moreover, in general, the more deprived the local authority the greater the financial retrenchment, leaving those with the highest levels of need the most limited resources.[46]

Government consultation on ratios

51. We believe that the Government's proposal to consult on relaxing ratios was misguided and would be ineffective. The ratios we have support quality provision. Increasing the number of children that each adult is responsible for would decrease their ability to create child-centred, personalised interventions that support every child's development and identify opportunities for early intervention and support.

52. The early education and childcare sector is facing a staffing crisis. Large numbers of professionals are leaving the sector due to the low pay/ high stress working environment. The Government's own research shows that one in eight early education and childcare workers earn below £5 per hour with 45% relying on state benefits to supplement their income. It would be irresponsible to implement a policy that will increase the pressure on a workforce that is already in crisis. [47]

Recommendations

53. There is a need for immediate interventions to stabilise the early education and childcare providers that remain. However, whilst short term interventions are required to 'rescue' the system it is essential that a longer-term vision is developed, with a timeframe for interventions that will drive the wider reforms that are needed. Policymakers must appreciate the importance of how interventions are made: ensuring provision recognises the benefits of more direct control by workers and parents, supporting higher wages and skills for early education and childcare professionals and guaranteeing more accessible and consistent provision. To create a stable and sustainable universal service that can support all families longer-term reforms must ensure that public funding generates the best possible return on investment and tackles the issues of equal access, high quality of care and a highly skilled and well rewarded staff.

- **In the short-term** urgent action is required. There are issues with the low rate at which the free-hours entitlement policy is being funded[48]. Under-funding is likely to undermine the sector's ability to provide care, and may also compromise the quality of care[49], a concern echoed by the House of Commons Treasury Committee[50].

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46 Ceeda (2019) Independent Research About and For the Early Years Sector: Annual Report 2019 (https://bit.ly/3gD9eOF)
47 https://www.gov.uk/Government/news/stability-of-the-early-years-workforce-in-england-report
48 IPPR (2015) Extending the early years entitlement - Costings, concerns and alternatives (http://bit.ly/1KTD10I)
49 House of Commons Committee of Public Accounts (2016) Entitlement to free early years education and childcare, Fourth Report of Session 2016–17 (http://bit.ly/2mC0KLN)
50 House of Commons Treasury Committee (2018) Childcare: Ninth Report of Session 2017–19 (http://bit.ly/2oto98o)

Funding for the 'free hours' hourly rate should reflect the true cost of care provision. Whilst this is needed to rescue the system there is also scope to use this intervention to move towards the wider reforms needed. For example, this public investment should include conditions, such as ensuring providers comply with expectations such as ensuring all staff are paid at least the Real Living Wage; that a percentage of places are available for children that benefit the most, including for children with SEND and 2-year-olds that qualify for the free hours[51].

- **In the medium term** we must move to a supply-side funding model, a better rewarded workforce and increased targeted support for the most disadvantaged children, who benefit the most from high-quality early education and childcare. This will need to take place over a series of interventions, in order to enable the currently fragile sector to adapt over time towards a focus on prioritising quality and outcomes over profit. Changes would need to include developing national standards capable of ensuring quality, accountability and sustainability, and to coordinate provision on the basis of a new funding model and regulatory framework. Local Government will need to play a greater role in matching local provision to local need, taking on responsibility for where providers set up, who places are available for.

- **In the longer-term** the Government must invest in a universal and free system, delivered as a public infrastructure service on equal footing with school education. Modelling by the Women's Budget Group of the employment and fiscal impacts of such a system shows that while the upfront investment is significant, almost all of it is recouped through higher tax revenue due to the returns on increased maternal employment and reduced spending on means-tested benefits[52]. This provision must be able to deliver on the five core elements already outlined above, namely;

    - Provision that works for all kinds of working parents and their employers
    - Accessible and affordable options for all parents, in all communities
    - Good pay, terms and conditions for the professionals who deliver it
    - High quality provision for all children, especially those who benefit the most
    - Locally shaped options that respond to local circumstances

[51] WBG Childcare, gender and Covid-19 Pre Budget Briefing
[52] https://wbg.org.uk/analysis/uk-policy-briefings/calculating-the-cost-of-a-high-quality-free-universal-childcare-system/